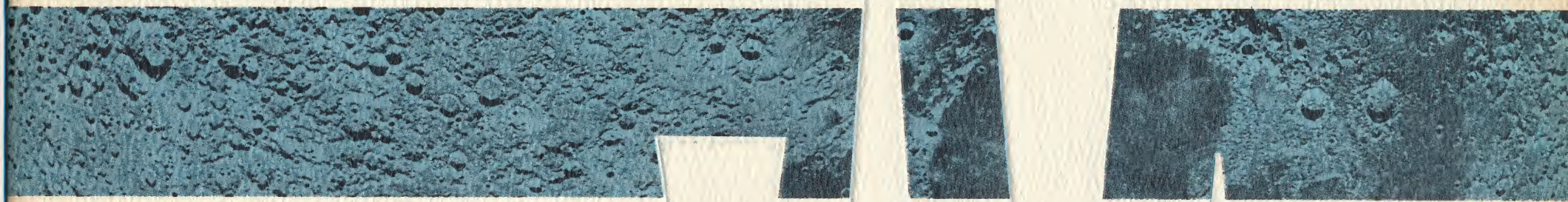
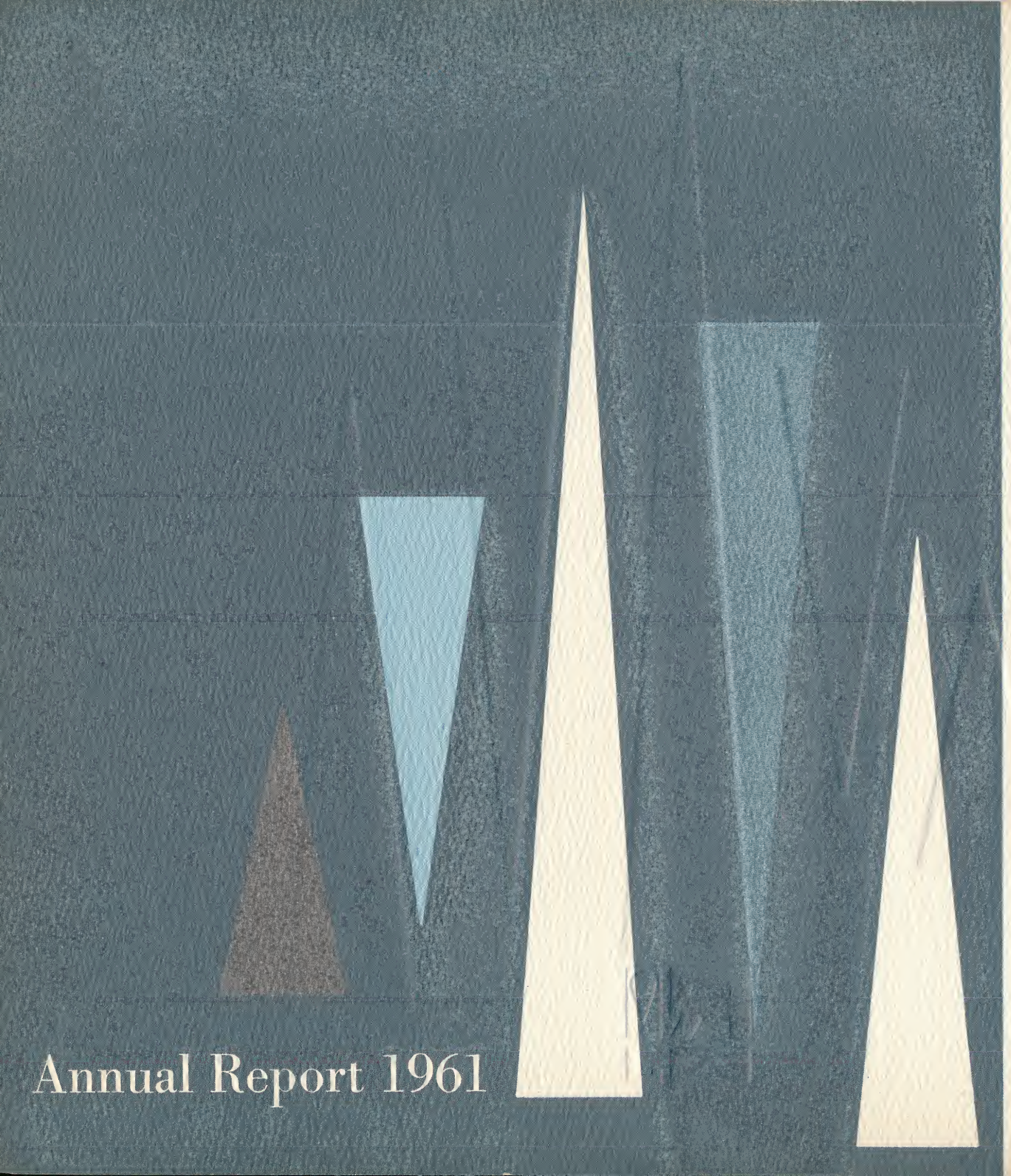


Annual Report 1961

ROCKET JET ENGINEERING CORPORATION 1311 GRAND CENTRAL AVE., GLENDALE 1, CALIF.



Annual Report 1961

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financial highlights

	1961	1960	1959
Net Sales	2,203,715	1,586,232	1,090,774
Net Income	196,761	149,960	63,624
Net Income Per Share	.36**	.27	.12
Stock Dividend Per Share	.27	*	*
Backlog	1,165,426	510,000	330,000
Employees	113	58	37
Shareholders	811	*	*

* BECAME PUBLIC MAY 1961

** BASED ON 550,000 SHARES OUTSTANDING 12/31/61
(Prior to 4% stock dividend)

presidential message

This first annual report, since becoming a publicly-owned Corporation, December 31, 1961, reflects the significant growth and progress made by your company resulting in the most profitable year of our history.

SALES AND BACKLOG
We are extremely pleased to report an increase in sales and profits of 38% as compared to the previous year, based on net sales of $2,203,715 for 1961. Increased volume of business brought year end employment to 113 as compared with 58 at the end of 1960. With a total backlog of $1,165,426 at the close of 1961, over 48% higher than a year ago, sales for 1962 should surpass the $3 Million mark — an indication of the increasing scope and tempo of growth.

CAPITALIZATION
In May 1961, there was sold to the public, 110,000 shares of our common stock. At present, there are 570,000 outstanding shares and these are held by over 800 stockholders.

CORPORATE ACQUISITION
Consistent with the Company's long range objectives, we are exploring the possibility of future acquisitions in order to broaden our base for continuing progress in the years ahead. We have reviewed over a dozen prospectives to date in order to find a logical acquisition which will provide the additional specialized equipment, tooling and machining needed in the complex fabrication of Rocket Jet components, complement existing product lines or provide a sensible range of diversification.

FACILITIES EXPANSION
To accommodate additional equipment and personnel and in order to increase our production capability, we have contracted for the expansion of our facilities by adding 17,000 square feet of floor space adjacent to our existing plant. Construction has started and is scheduled to be completed in May 1962. On completion, the total Rocket Jet facility will have over 35,000 square feet of manufacturing and administrative area.

COMPANY PROGRAMS
In reviewing the past year, we can point with pride to the excellent progress made in achieving our technical goals. Design, development and test schedules were met or exceeded in producing survival kits for the Republic Aviation F105, McDonnell F4H and composite disconnects for the Grumman A2F, North American A3J, McDonnell F4H and Northrop T38.

Our research and development efforts in the design competition for the survival kit and personal services disconnect for the Boeing Dyna-Soar manned orbital space vehicle resulted in our successful entry and subsequent award of contract. With the Company's entry in the space age, the opportunities and potential of future markets presents a versatility and breadth of outlook for increasing expansion and will provide commensurate growth and profit opportunities.

Our progress will be measured by our capability of envisioning and implementing the long range objectives required to assure our position as a leader in a major industry. We wish to acknowledge with thanks the support and confidence received from our stockholders, employees and customers.

Sincerely,

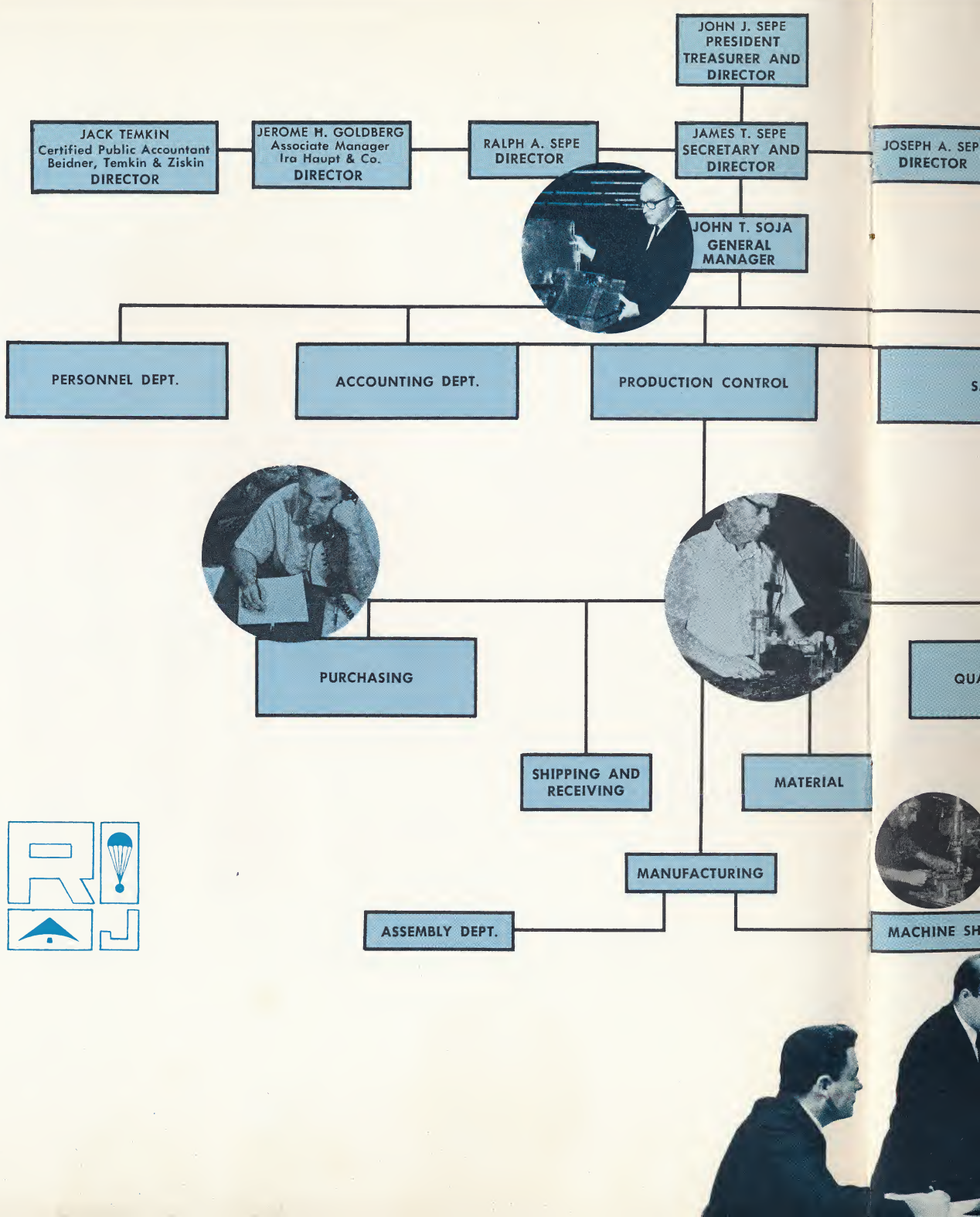
John J. Sepe
President

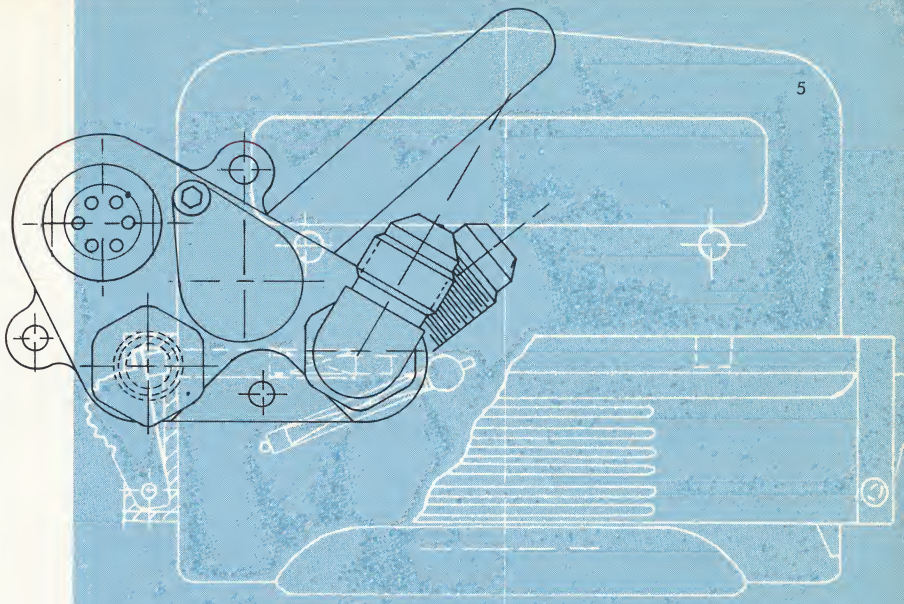
the company

Rocket Jet Engineering Corporation was organized over 10 years ago as a machine shop subcontractor specializing in precision components. The organization expanded to the point where experienced personnel, familiar with the requirements of escape and survival equipment, started on the development of Company sponsored products. Approximately six years ago, contracts were received for developing the first survival kits, now used in all aircraft. The purpose and design principle for the survival kit was to develop a system compatible with the pilots' ejection seat which would provide a capability for survival under any hostile environment a pilot may find himself in after ejecting from a damaged aircraft. The system evolved by Rocket Jet functions as follows: A rugged fibreglass container contoured to fit inside Air Force & Navy ejection seats was developed to withstand ejection and windblast loads encountered during an emergency escape from the aircraft. The container had special mechanisms and attaching connections to the pilot for automatic operation. Special disconnects are incorporated to automatically shut off the airplane oxygen and turn on emergency breathing oxygen in the survival kit as soon as the ejection procedure starts. After the pilot has ejected and his parachute has opened lowering him to an altitude where he no longer needs the kit oxygen, he may then pull the kit release handle. Operation of this handle automatically disconnects the kit attachments to his flight suit, opens the container to allow the survival equipment which is packed in a water proof rubber container, to be deployed on a special static line attached to his parachute. In addition, a gas charge is fired to inflate the life raft preparatory to a water landing. All this equipment is deployed on the special static line so that the pilot need only to "reel-in" the line to obtain his gear.

It was at this time the Company structure changed to devote all efforts solely to proprietory items. Today, Rocket Jet is recognized as a leader in the field by industry and has established its reputation for quality, engineering and service to industry and the Government.

In order to deal effectively with the major industrial companies and the Government, the Rocket Jet organization maintains a departmental structure capable of servicing these customers at all levels. From corporate management to shop foremen, all are experts in their individual responsibilities.





research & development

Rocket Jet looks back with pride to the accomplishments of developing systems compatible with the exacting requirements of modern supersonic aircraft. It is this background of experience that forms the basis of new and more complex research and development efforts to evolve systems for even more exacting requirements and operation.

Rocket Jet is "refining and sophisticating" existing type systems for such aircraft as the TFX (Tactical Fighter-Experimental) for joint Air Force and Navy use. This aircraft will require a survival system capable of supporting different flight suits and mission profiles related to the service use. Development and prototype efforts are currently in progress to anticipate this need. In addition, survival systems are developed for such high flying aircraft as the new declassified U-2.

Additional space projects such as Gemini, a two man orbiting rendezvous vehicle and Apollo, the spaceship for a lunar landing, will require new concepts in final hardware. These programs, in addition to other classified R & D contracts, encompass the broad avenues Rocket Jet is traveling to further our knowledge and capabilities.

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JOSEPH A. SEPE
DIRECTOR

ROBERT E. ROSSKOPF
Attorney at Law
DIRECTOR

SALES

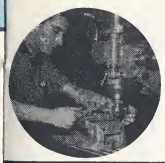
ENGINEERING

CONSULTANT ENGINEERING

PROTOTYPE ENG.

QUALITY CONTROL

MATERIAL



MACHINE SHOP

programming

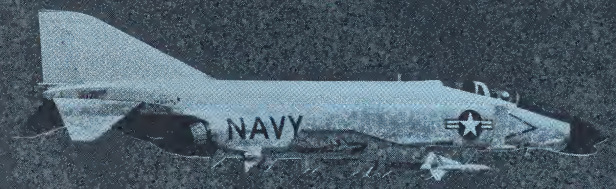
In the immediate future the use of manned aircraft of specific mission performance is assured by current Air Force and Navy procurement contracts. Rocket Jet is currently supporting the Air Force Republic F105, the Northrop T38, and Convair F106 aircrafts with survival equipment and has contracts extending for the next three years. The Lockheed F104 continues its requirements for USAF support with Rocket Jet components. The F104 Military Assistance Programs with Canada and Japan require deliveries to be completed by the end of 1962. Phasing in at this time will be the requirements of our NATO Allies; The Netherlands, West Germany, Belgium and Italy, with deliveries of complete survival kits scheduled for the next two years.

The U. S. Navy McDonnell F4H utilizes Rocket Jet escape and survival gear and with the conversion of the F4H for Air Force procurement (to be designated as the F110), production at Rocket Jet is expected to be accelerated at a rapid pace. The Grumman A2F and North American A3J are flying with Rocket Jet personal services disconnects and survival kit hardware, with deliveries continuing throughout 1963. The U. S. Navy has placed contracts with Rocket Jet for development of survival kits to replace old types now in use on a standard ejection seat and also for crew, or non-ejection seats. Evaluation testing has been successfully completed and negotiations for quantity and type to be ordered are presently in process. Of course, Rocket Jet continues production on the standardized personal parachute release for the Navy, of which over 40,000 units have already been delivered.

One of the more ambitious programs of our space efforts has already been awarded Rocket Jet in competitive bidding. Rocket Jet will supply the survival kit and emergency oxygen package, pilots personal services disconnect and parachute releases for the Boeing Dyna-Soar (abbreviated term for dynamic soaring) manned orbital space bomber. Initial test units are now in actual production for delivery scheduled throughout 1962-63 with manned flight from Cape Canaveral, Florida and controlled landing at Edwards AFB, California tentatively set for early 1964.

Dyna-Soar Boeing

F 105 Republic



F 4H McDonnell

Life Support Systems

F 104 Lockheed

F 106 Convair

A 3J North American

DYNA-SOAR

This Survival Kit Assembly contains bailout oxygen, pararaft and emergency survival equipment for the pilot.

The design is based on Military Specification MIL-C-25570 and will sustain the pilot during bailout at extremely high altitudes.

SURVIVAL KIT

This Survival Kit Container is designed for stowing the emergency oxygen system, pararaft and the Survival equipment of the pilot.

The design is based on the military specification MIL-C-25570.

Qualified and approved for installation.

SURVIVAL KIT FOR MARTIN BAKER SEAT

The Survival Kit Container is used for stowing of the emergency oxygen system, pararaft and the Survival Equipment of the pilot. Integrated with the Rocket Jet personal services Composite Disconnect, it will provide the support in flights for partial and full pressure suits.

Qualified and approved for installation.

DISCONNECT SHIP SUPPLY OXYGEN SURVIVAL KIT

Oxygen (Ship Supply) and inter-communication services pass thru this disconnect.

Upon ejection the disconnect actuates the emergency oxygen within the survival kit.

Qualified and approved for installation.

DISCONNECT PERSONAL LEADS AIRCRAFT TO SEAT

Aircraft to seat personal leads disconnect, designed to be used on high altitude aircraft ejection seats.

Disconnection of lower half actuates the emergency oxygen system.

Qualified and approved for installation.

DISCONNECT PARTIAL AND FULL PRESSURE SUIT

This composite disconnect is designed to supply breathing oxygen, air for the full pressure suit and electrical services to the pilot.

Actuates emergency oxygen system on bailout.

Qualified and approved for installation.

1961 financial statement

ROCKET JET ENGINEERING CORP.

1961

STATEMENT OF FINANCIAL POSITION

ASSETS		
CURRENT ASSETS		
Cash		$ 55,280
Trade accounts receivable		440,142
Inventories — at lower of average cost or market:		
Finished goods	$ 27,159	
Work in process	93,441	
Raw materials and manufactured parts	280,424	401,024
Prepaid expenses		7,740
TOTAL CURRENT ASSETS		$ 904,186
OTHER ASSETS		
Deposits, etc.		5,219
EQUIPMENT AND LEASEHOLD IMPROVEMENTS — on the basis of cost		
Machinery and other equipment	$162,163	
Leasehold improvements	41,432	
	$203,595	
Less allowances for depreciation and amortization	96,350	107,245
		$1,016,650
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable		$ 147,382
Contribution to Employees' Profit-Sharing Plan — Note A		35,000
Salaries, wages, payroll taxes, and amounts withheld from employees' compensation		26,977
Federal taxes on income — estimated		178,182
TOTAL CURRENT LIABILITIES		$ 387,541
SHAREHOLDERS' EQUITY — NOTES B and C		
Capital Stock, par value $.75 a share:		
Authorized, 2,000,000 shares; issued and outstanding, 571,953 shares	$428,965	
Additional capital paid in	131,718	
Retained earnings	68,426	629,109
LONG-TERM LEASE AND CONTINGENCY — Notes D and E		
		$1,016,650

See notes to financial statements

1961

STATEMENT OF SHAREHOLDERS' EQUITY

	Capital Stock Shares	Capital Stock Amount	Additional Capital Paid In	Retained Earnings
Balances at January 1, 1961	825	$ 8,250	$ -o-	$424,415
Capital Stock splits — Note B:				
13⅓ shares for each share outstanding	10,175			
50 shares for each share outstanding — effected in the form of a stock dividend — at par	539,000	404,250		(404,250)
4% stock dividend — at estimated fair value — Note B	21,953	16,465	131,718	(148,500)
Net income for the year				196,761
Balances at December 31, 1961	571,953	$428,965	$131,718	$ 68,426

See notes to financial statements

STATEMENT OF INCOME

Net sales			$2,203,715
Other income			6,163
			$2,209,878
Costs and expenses:			
Cost of products sold		$1,460,893	
Selling, administrative, and general expenses		353,524	1,814,417
	INCOME BEFORE TAXES ON INCOME		$ 395,461
Federal taxes on income — estimated			198,700
	NET INCOME		$ 196,761

Provision for depreciation and amortization of equipment and leasehold improvements for the year amounted to $27,971

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE A—EMPLOYEES' PROFIT-SHARING PLAN

The Employees' Profit-Sharing Plan, adopted by the Company in 1958, provides for distributions to participating employees upon death, retirement, disability, or, in limited amounts, upon termination of employment. A participant's interest becomes vested at the rate of 10% each year. Amount ($35,000 for the year ending December 31, 1961) to be contributed to the profit-sharing trust is determined annually at the discretion of the Board of Directors.

NOTE B—CAPITAL STOCK

On May 2, 1961, the Company amended its Articles of Incorporation whereby the Capital Stock was reduced from a par value of $10 a share to $.75 a share. Immediately thereafter, a stock split of 13⅓ shares for each share outstanding was effected and a stock split, in the form of a stock dividend, of 50 shares of Capital Stock for each share of the then outstanding stock was declared.

On December 9, 1961, the Company declared a 4% stock dividend on its outstanding Capital Stock, payable February 15, 1962. This transaction has been reflected in the financial statements as of December 31, 1961, at the estimated fair value of the Capital Stock as of December 9, 1961.

NOTE C—RESTRICTED STOCK OPTION PLAN

On February 1, 1961, the Company adopted a restricted stock option plan whereby certain employees may be granted options to purchase shares of authorized but unissued Capital Stock at prices which are not below 95% of the market price on the date the option is granted.

The number of shares which may be purchased on exercise of outstanding options is subject to adjustment upon changes in the outstanding number of shares of Capital Stock by way of splits, readjustments, or stock dividends. The options are exercisable in cummulative annual installments of 20%, each year's installment becoming exercisable after the passage of the first nine months of such twelve month period. Options granted under the plan require a declaration from each optionee that the stock to be purchased will be held as an investment.

At December 31, 1961, there were options outstanding for the purchase of 11,700 shares at $4.57 a share (total option price $53,437.50) and 9,100 shares were reserved for future grants under the plan.

NOTE D—LONG-TERM LEASE

The Company occupies its premises under a long-term lease expiring in 1972, which provides for annual rentals of $12,960 until July 1, 1962 (or such later date as a new addition to the premises shall be completed), and $24,600 annually thereafter.

NOTE E—RENEGOTIATION

The majority of the Company's business during 1960 and 1961 is subject to renegotiation. The Company believes that it has not realized excessive profits and, accordingly, has made no provision for renegotiation refunds for those years.

ERNST & ERNST
615 SOUTH FLOWER STREET
LOS ANGELES 17, CAL.

Board of Directors
Rocket Jet Engineering Corp.
Glendale, California

We have examined the statement of financial position of Rocket Jet Engineering Corp. as of December 31, 1961, and the related statements of income and shareholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to confirm by direct correspondence amounts receivable from certain customers, but we satisfied ourselves as to such amounts by means of other auditing procedures.

We were not engaged as auditors of the Company until December 1961, and therefore, it was not possible for us to observe procedures used by the Company to determine physical quantities of inventories at December 31, 1960. However, based upon our review of the inventory listings and other schedules, the amounts of such inventories appear to be fairly stated.

In our opinion, after giving retroactive effect to the stock dividends as explained in Note B and subject to adjustments, if any, as may result from renegotiation (see Note E), the accompanying statement of financial position and statements of income and shareholders' equity present fairly the financial position of Rocket Jet Engineering Corp. at December 31, 1961, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Ernst

Los Angeles, California
March 2, 1962

the officers and directors of the company are as follows:

John J. Sepe	President, Treasurer and Director
James T. Sepe	Secretary and Director
Joseph A. Sepe	Director
Ralph A. Sepe	Director
Robert E. Rosskopf Attorney at Law	Director
Jack Temkin Certified Public Accountant Beidner, Temkin & Ziskin Los Angeles, California	Director
Jerome H. Goldberg Associate Manager Ira Haupt & Co. Beverly Hills, California	Director

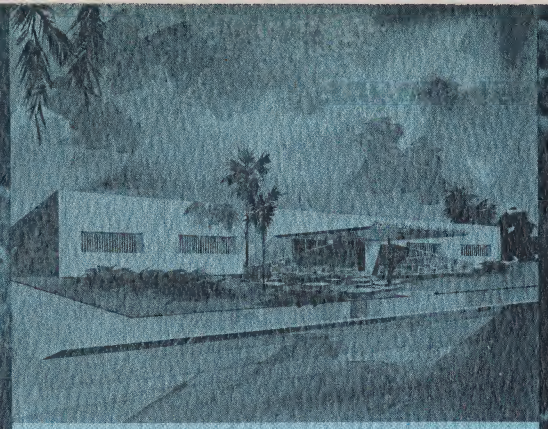
a look ahead

Rocket Jet is constantly striving for the development of new and improved products consistent with the stringent demands of the space age. In addition, the continuing requirements of the manned aircraft establish new and changing criteria for survival and escape. In the above areas, Rocket Jet "know-how" provides the quality of product expected by the customer and assists in determining the ultimate configuration to meet the need. Rocket Jet will continue to maintain our established leadership through our vigorous research and development efforts, expanding test facilities and plant facilities growth.

Our research and development programs will determine the suitability of products and materials during the rigors of space flight. Rocket Jet survival equipment, already being manufactured for the Dyna-Soar orbital space vehicle, will receive the ultimate in dynamic and environmental testing. As a stepping stone, it will further Rocket Jet's technical knowledge for eventual operational equipment on the moon and in space.

Test and plant facilities expansion are already being programmed to accommodate the increasing and more complex product specification requirements. Facilities growth will more than double the existing available footage. New and more elaborate test equipment will be required to simulate actual flight conditions.

Rocket Jet is looking ahead to such manned space vehicles as Gemini and Apollo, which will take us from orbiting rendezvous to lunar orbits and eventually the moon. We fully expect Rocket Jet equipment to support the astronauts who will make these flights as it will support those in the next few years flying the Dyna-Soar.



facility

The Rocket Jet plant is located at 1311 Grand Central Avenue, Glendale 1, California. It is in the heart of an industrial area, with complete availability of trucking, rail and airport facilities.

The existing plant consists of 18,000 square feet of floor space with expansion to 35,000 square feet scheduled for completion by May 1962. Complete machine shop equipment is available for the small detail to the complex assembly. After expansion, approximately 3500 square feet will be devoted to office space, housing production control, sales, procurement, cost accounting and management. Engineering will require approximately 2000 square feet and the remainder of 29,500 square feet will house production and test facilities.

1311 GRAND CENTRAL AVENUE, GLENDALE 1, CALIFORNIA,
CHAPMAN 5-7766